



**United States Department of Justice
United States Attorney's Office
District of Minnesota**

**B. Todd Jones,
United States Attorney**

**Jeanne F. Cooney
Director of Community Relations
(612) 664-5611
email: jeanne.cooney@usdoj.gov**

News Release

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Three indicted in \$16 million mortgage fraud scheme

A federal indictment was unsealed today, charging three Minnesotans in connection with an alleged mortgage fraud scheme that resulted in a \$16 million loss for lenders. The indictment, filed with the U.S. District Court in Minneapolis on June 15, 2010, was unsealed following the initial appearances of the three defendants, which occurred earlier today. The indictment charges Ericvan Anthony McDavid, age 35, of Brooklyn Center; Larry Africanus Hutchinson, age 39, of St. Paul; and Jerone Ian Mitchell, age 34, of Minneapolis, with one count of conspiracy to commit wire fraud and eight counts of mortgage fraud through use of interstate wire.

The indictment alleges that from April of 2005 through February of 2009, the defendants conspired to obtain loan proceeds fraudulently by making materially false representations and promises as well as by withholding material information about the residential property purchases they orchestrated. During that time period, McDavid was either an owner or co-owner of several businesses, including EVM Properties, Skyy Realty, and Universal, Inc., through which he bought and sold properties and managed properties. Hutchinson also owned several real estate companies, including LAH Properties and L&D Mortgage, and was an agent for Unity Realty. Mitchell was the owner of Infinite Developers, a construction business.

Beginning in 2005, McDavid and Hutchinson allegedly recruited straw buyers to purchase selected properties by promising them payments of \$15,000 to \$52,000 per transaction. Once a straw buyer agreed to purchase a particular property, McDavid and Hutchinson provided the buyer with funds to put toward the purchase, thereby misleading the lender into believing that the buyer actually had incentive to repay the loan. McDavid and Hutchinson also produced false loan applications on behalf of the buyers, which then were provided to various lenders. The fraudulent documents overstated the assets and employment status of the straw buyers. Based on those documents, loans were approved in no fewer than 25 instances, totaling more than \$16 million. Homes subject to the scheme were located in Prior Lake, Savage, and Minnetonka, among other Minnesota communities.

The indictment alleges that prior to the real estate closings, the defendants also provided

lenders with fraudulent bills for management fees, construction invoices, and non-existent second mortgages, causing cash disbursements to be made from the proceeds of the mortgage loans to the companies controlled by the defendants. Without the lenders' knowledge, those disbursements were then routed, in part, back to the straw buyers. These types of actions occurred in at least 45 transactions, through which the defendants secured a total of approximately \$4.7 million in fraudulent payments from loan proceeds. The eight mortgage fraud counts set forth in the indictment are in relation to eight wire transfers of loan proceeds in 2006 and 2007.

If convicted, the defendants face a potential maximum penalty of 20 years on each mortgage fraud count and five years on the conspiracy count. All sentences will be determined by a federal district court judge.

This case is the result of an investigation by the Federal Bureau of Investigation and the Minnetonka Police Department. It is being prosecuted by Assistant United States Attorney Christian S. Wilton.

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An indictment is a determination by a grand jury that there is probable cause to believe that offenses have been committed by a defendant. A defendant, of course, is presumed innocent until he or she pleads guilty or is proven guilty at trial.